



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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January 8, 2008

TO: Supervisor Yvonne B. Burke, Chair
Supervisor Gloria Molina
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: J. Tyler McCauley *tm*
Auditor-Controller

SUBJECT: **RAEVERLY'S RESOURCE CENTER CONTRACT – A COMMUNITY
AND SENIOR SERVICES WORKFORCE INVESTMENT ACT
PROGRAM PROVIDER**

We have conducted a program, fiscal and administrative contract review of Raevery's Resource Center (RRC or Agency), a Community and Senior Services (CSS) Workforce Investment Act (WIA) program provider.

Background

CSS contracts with RRC, a private non-profit community-based organization to provide and operate the WIA Youth Program. The WIA Youth Program is a comprehensive training and employment program for in-school and out-of-school youth ages 14 to 21 years old. RRC's office is located in the Second District.

RRC is compensated on a cost reimbursement basis. RRC's contract is for \$85,813 for Fiscal Year (FY) 2007-2008.

Purpose/Methodology

The purpose of the review was to determine whether RRC complied with its contract terms and appropriately accounted for and spent WIA funds in providing the services

"To Enrich Lives Through Effective and Caring Service"

outlined in their County contract. We also evaluated the adequacy of the Agency's accounting records, internal controls and compliance with federal, State and County guidelines. In addition, we interviewed a selected number of the Agency's staff and clients.

Results of Review

The participants/guardians interviewed stated that the services they received met their expectations. In addition, RRC's expenditures were accurately billed and supported by documentation as required. However, RRC did not implement five recommendations reported in the prior year's monitoring report. In addition, during FY 2007-08, the Agency overbilled CSS \$181 in unallowable costs.

RRC also did not always comply with WIA guidelines and County contract requirements. For example, RRC:

- Billed CSS based on budget payroll amounts and not actual payroll expenditures.
- Did not maintain adequate segregation of duties.
- Did not maintain adequate documentation to support the eligibility for five (50%) of the ten participants sampled.
- Did not complete the Individual Strategic Services plans for two (20%) of the ten participants sampled.
- Did not maintain signed Equal Employment Opportunity policies in the participants' case files for all ten participants sampled.
- Did not maintain signed incentive policies for four (40) of ten participants sampled.
- Did not report the program activities on the Job Training Automation (JTA) system for nine (90%) of the ten participants sampled or maintain documentation in the participants' case files to support the program activities reported on the JTA system for three (30%) of the ten participants sampled.
- Did not maintain a valid work permit in the participant's case file for one (10%) of the ten participants sampled. Subsequent to our review, RRC provided a copy of the participant's valid work permit

Details of our review along with recommendations for corrective action are attached.

Review of Report

We discussed our report with RRC and CSS on December 11, 2007. In their attached response, RRC indicated that the Agency has always maintained valid work permits in the participants' case files. However, at the time of our review, a valid work permit was not maintained in one participant's case file. Subsequent to our review, RRC provided a copy of the participant's valid work permit. RRC also indicated that the Executive Director did not have access to blank checks, payroll records and did not prepare payroll. However, during our review and at our exit meeting, RRC agreed that their payroll duties were not segregated and indicated that RRC would separate their payroll duties to the best of their ability.

We thank RRC for their cooperation and assistance during this review. Please call me if you have any questions or your staff may contact Don Chadwick at (626) 293-1102.

JTM:MMO:DC

Attachment

c: William T Fujioka, Chief Executive Officer
Cynthia Banks, Director, Department of Community and Senior Services
Sherai Onibasa, Executive Director, Raevery's Resource Center, Inc.
Public Information Office
Audit Committee

**WORKFORCE INVESTMENT ACT PROGRAM
RAEVERLY'S RESOURCE CENTER
FISCAL YEAR 2007-08**

ELIGIBILITY

Objective

Determine whether Raevery's Resource Center (RRC or Agency) provided services to individuals that meet the eligibility requirements of the Workforce Investment Act (WIA).

Verification

We reviewed the case files for ten (71%) of the 14 participants that received services from July through September 2007 for documentation to confirm their eligibility for WIA services.

Results

RRC did not maintain adequate documentation to support the program eligibility for five (50%) of the ten participants sampled. Specifically, RRC did not maintain proof of income, family size or employability as required by WIA guidelines. RRC billed Community and Senior Services (CSS) \$80 in direct costs associated with providing services to the ineligible individuals. The Agency also may have billed CSS for other direct and indirect services for the ineligible individuals. However, we were unable to determine the amount. Similar findings were also noted in the prior two years' monitoring reports.

Recommendations

RRC management:

1. Repay CSS \$80 and for any other costs incurred on behalf of the ineligible individuals.
2. Ensure that staff obtain the appropriate documentation from the participants to determine the participants' eligibility for program services prior to their enrollment.

BILLED SERVICES/CLIENT VERIFICATION**Objective**

Determine whether the Agency provided the services in accordance with the County contract and WIA guidelines. In addition, determine whether the participants received the billed services.

Verification

We reviewed the documentation contained in the case files for ten (71%) participants that received services during July through September 2007. We also interviewed four participants/guardians.

Results

The four participants/guardians interviewed stated that the services they received met their expectations. However, RRC did not always comply with WIA guidelines. Specifically, RRC:

- Did not indicate the duration or frequency of the services to be provided on the participants' Individual Strategic Services (ISS) plans for two (20%) of the ten participants sampled. The ISS plan is a comprehensive on-going plan jointly developed by the participant and the case manager that identifies the participant's background, skills, goals, barriers to employment and service plans needed to achieve the goals. This finding was also noted in the prior year's monitoring report.
- Did not maintain signed Equal Employment Opportunity policies in all ten participants' case files sampled.
- Did not maintain signed incentive policies for four (40%) of ten participants sampled.
- Did not report the program activities, such as completion of leadership, supportive services or exits for nine (90%) of the ten participants sampled on the Job Training Automation (JTA) system. The JTA system is used by the State of California Employment Development Department and the Department of Labor to track WIA participant activities.
- Did not maintain documentation in the participants' case files to support the program activities reported for three (30%) of the ten participants sampled on the JTA system. Specifically, RRC did not maintain documentation, such as signed receipts and timecards to support the supportive services, educational achievements goals and subsidized employment services reported as completed on the JTA system.

- Did not maintain a valid work permit in the participant's case file for one (10%) of the ten participants sampled.

Subsequent to our review, RRC provided a copy of the participant's valid work permit and additional documentation, such as timecards and receipts, to support the program activities reported on the JTA system for two of the three participants.

Recommendations

RRC management:

3. **Ensure that staff complete Individual Strategic Services plans.**
4. **Ensure that staff maintain signed Equal Employment Opportunity policies in the participants' case files.**
5. **Ensure that signed incentive policies are maintained in the participants' case files.**
6. **Ensure that staff accurately update the Job Training Automation system to reflect participants' program activities within 30 days as required.**
7. **Ensure that staff maintain appropriate documentation in the participants' case files to support the program activities reported as completed on the Job Training Automation system.**
8. **Ensure that staff maintain valid work permits in the participants' case files.**

CASH/REVENUE

Objective

Determine whether cash receipts and revenues are properly recorded in the Agency's records and deposited timely in their bank account. In addition, determine whether there are adequate controls over cash, petty cash and other liquid assets.

Verification

We interviewed Agency personnel and reviewed financial records. We also reviewed the Agency's September 2007 bank reconciliation.

Results

Generally, RRC properly recorded and deposited cash receipts and revenues in a timely manner. However, RRC made checks payable to "petty cash" to replenish the Agency's petty cash fund. The County contract strictly prohibits checks to be made payable to "cash."

Recommendations**RRC management:**

9. **Revise the Agency's accounting policies and procedures manual to comply with County contract requirements and distribute to staff.**
10. **Ensure that checks to replenish the petty cash fund are made payable to the petty cash custodian.**

EXPENDITURES/PROCUREMENT**Objective**

Determine whether program related expenditures are allowable under the County contract, properly documented and accurately billed.

Verification

We interviewed Agency personnel, reviewed financial records and reviewed documentation to support 19 non-personnel expenditure transactions billed by the Agency for July and August 2007, totaling \$3,840.

Results

Generally, RRC's expenditures were properly documented. However, RRC overbilled CSS \$101 in unallowable entertainment expenditures. According to Agency personnel, RRC provided the participants with tickets, food and parking for sporting events as incentives for accomplishing established goals. However, federal guidelines prohibit the use federal funds for entertainment costs and any other costs directly associated with such costs. In addition, WIA guidelines prohibit the use of non-monetary incentives, such as tickets to sporting events. A similar finding was also noted in the prior year's monitoring report.

Recommendations**RRC management:**

11. **Repay CSS \$101.**

12. Ensure that expenditures charged to the WIA program are allowable under the County contract and WIA guidelines.

INTERNAL CONTROLS/CONTRACT COMPLIANCE

Objective

Determine whether the contractor maintained sufficient internal controls over its business operations. In addition, determine whether the Agency is in compliance with other program and administrative requirements.

Verification

We interviewed Agency personnel, reviewed their policies and procedures manuals, conducted an on-site visit and tested transactions in various non-cash areas such as expenditures, payroll and personnel.

Results

RRC's internal controls need to be improved. As noted in our prior year's report, the Director of Operations continues to have access to all accounting records, blank checks, personnel and payroll records. The Director of Operations also approves petty cash disbursements, signs checks and is a paid employee who is also a member of the Agency's Board of Directors.

The Executive Director also continues to have access to blank checks and personnel and payroll records as noted in the prior two years' monitoring reviews. In addition, the Executive Director is the petty cash custodian, approves petty cash disbursements, is not independent of deposits and check signing activities, approves timecards, prepares payroll, distributes checks and is in charge of personnel duties including hiring, terminating and pay rate changes.

In addition, RRC's program procedural manual did not include procedures on how to verify and document individuals' employability or barriers to employment for the WIA program. As previously indicated, RRC did not maintain adequate documentation to support the participants' eligibility to receive program services.

Subsequent to our review, the Director of Operations resigned from being a member of the Agency's Board of Directors.

Recommendations

RRC management:

13. Ensure that there is adequate segregation of duties.

14. **Revise the Agency's program procedural manual to include all the necessary procedures to comply with WIA guidelines and ensure that staff comply with established procedures.**

FIXED ASSETS AND EQUIPMENT

Objective

Determine whether RRC's fixed assets and equipment purchases made with WIA funds are used for the WIA program and are safeguarded.

Verification

We interviewed Agency personnel and reviewed the Agency's equipment and inventory listing. In addition, we performed a physical inventory and reviewed the usage of all seven items funded by WIA funds, totaling approximately \$1,350.

Results

RRC used the items purchased with WIA funding for the WIA program and the items were safeguarded.

Recommendation

There are no recommendations for this section.

PAYROLL AND PERSONNEL

Objective

Determine whether payroll is appropriately charged to the WIA program. In addition, determine whether personnel files are maintained as required.

Verification

We traced the payroll expenditures invoiced for four employees totaling \$3,562 for August 2007 to the Agency's payroll records and time reports. We also interviewed one staff and reviewed the personnel files for four staff assigned to the WIA program.

Results

RRC inappropriately billed one employee's payroll expenditures based on budgeted payroll amounts not actual payroll expenditures as required by the County contract. According to Agency management, the employee is paid a flat rate of \$500 per month from the WIA program regardless of the hours the employee reported on her timecard.

In addition, RRC did not obtain a criminal clearance for one (25%) of the four employees sampled, or maintain valid proof of automobile insurance in the employee's personnel file for another employee sampled.

Subsequent to our review, RRC obtained the criminal clearance for the one employee and provided proof of automobile insurance for the other employee.

Recommendations

RRC management:

- 15. Bill CSS actual payroll expenditures.**
- 16. Obtain a criminal clearance for all employees.**
- 17. Maintain valid proof of automobile insurance in the employees' personnel files.**

COST ALLOCATION PLAN

Objective

Determine whether RRC's Cost Allocation Plan was prepared in compliance with the County contract and the Agency used the plan to appropriately allocated shared program expenditures.

Verification

We reviewed the Cost Allocation Plan and reviewed a sample of expenditures incurred by the Agency in July and August 2007 to ensure the expenditures were properly allocated to the Agency's programs.

Results

RRC's Cost Allocation Plan was prepared in compliance with the County contract. However, as previously indicated, RRC billed CSS based on budgeted payroll amounts not actual payroll expenditures. The Agency's Cost Allocation Plan indicates that personnel costs should be allocated based on hours worked.

Recommendation

- 18. RRC management allocate costs in accordance with their Cost Allocation Plan.**

CLOSE-OUT REVIEW**Objective**

Determine whether the Agency's Fiscal Year (FY) 2006-07 final close-out invoice reconciles to the Agency's financial accounting records.

Verification

We traced RRC's FY 2006-07 general ledger to the Agency's final close-out invoice for FY 2006-07. In addition, we reviewed a sample of expenditures incurred in April, May and June 2007.

Results

RRC's FY 2006-07 general ledger reconciled to the Agency's FY 2006-07 final close-out invoice.

Recommendation

There are no recommendations for this section.

PRIOR YEAR FOLLOW-UP**Objective**

Determine the status of the recommendations reported in the prior monitoring review completed by the Auditor-Controller.

Verification

We verified whether the outstanding recommendations from FY 2006-07 monitoring review were implemented. The report was issued on May 8, 2007.

Results

The prior year's monitoring report contained ten recommendations for RCC. RRC implemented five recommendations. As previously indicated, the findings related to Recommendations 2, 3, 12, and 13 of this report were also noted during our prior year's monitoring review. The remaining recommendation required RRC to implement outstanding recommendations from prior year's monitoring review. RRC management indicated that the Agency will implement the outstanding recommendations by June 30, 2008.

Recommendation

19. RRC management implement the outstanding recommendations from FY 2006-07 monitoring report.

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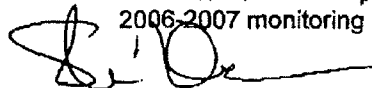
J. Tyler-McCauley, Auditor-Controller
Department of Auditor-Controller
Countywide Contract Monitoring Division
1000 S. Fremont Avenue, Unit #51
Alhambra, CA 91803
Attention: Yoon Bae

December 24, 2007

Raevery's Resource Center (RRC) issues the following response to the findings identified from the fiscal and administrative audit by Los Angeles County on October 8, 2007:

1. **Concur.** RRC will repay CSS \$80 for costs incurred on behalf of the ineligible individuals. The agency will repay the costs by 3/31/08.
2. **Concur.** RRC will ensure that staff obtains the appropriate documentation from participants to determine the participants' eligibility for program services prior to their enrollment. The agency has implemented this recommendation immediately following the auditor's exit conference.
3. **Concur.** RRC will ensure that staff completes the Individual Strategic Services in the ISS plans. The agency has implemented this recommendation immediately following the auditor's exit conference.
4. **Concur.** RRC will ensure that staff maintains a signed Equal Employment Opportunity policies in the participants' case files. The agency received a copy of this form on December 17 and will begin implementing its use immediately.
5. **Concur.** RRC will ensure that incentive policies are maintained in participants' case files. The agency has developed an incentive policy with a signature line to be used when a youth is on the incentive program.
6. **Concur.** RRC will ensure that staff accurately updates the Job Training Automation system to reflect participants' program activities within 30 days as required. The agency has implemented this recommendation immediately following the auditor's exit conference.
7. **Concur.** RRC will ensure that staff maintains appropriate documentation in the participants' case files to support the program activities reported as completed on the Job Training Automation system. The agency has implemented this recommendation immediately following the auditor's exit conference.
8. **Disagree.** The agency has always maintained valid work permits in participants' case file and will continue to do so.

9. **Concur.** RRC will revise accounting policies and procedures manual to comply with County contract requirements and distribute to staff by 1/2/08.
10. **Concur.** RRC will ensure that checks to replenish the petty cash fund will be made payable to petty cash custodian. The agency has implemented this recommendation immediately following the auditor's exit conference.
11. **Concur.** RRC will repay CSS \$101.00 by 3/31/08.
12. **Concur.** RRC will ensure that expenditures charged to WIA program are allowable under the County contract. The agency has implemented this recommendation immediately following the auditor's exit conference.
13. **Disagree.** The Executive Director does not have access to blank checks and payroll records, and does not prepare payroll. Duties will continue to be segregated to the best of our ability.
14. **Concur.** RRC will revise the agency's procedure manual to include all the necessary procedures to comply with WIA guidelines and to ensure that staff complies with established procedures by 3/31/08.
15. **Partially Agree.** Employees are paid correct amount based on monthly salary received by employees. Budget will be modified to reflect correct percentage of salary for hours worked for the Youth Program. CSS will be billed actual payroll expenditures. The agency has implemented this recommendation immediately following the auditor's exit conference.
16. **Concur.** RRC will obtain criminal clearances for all employees. The agency has implemented this recommendation immediately following the auditor's exit conference.
17. **Concur.** RRC will update all personnel files with valid proof of insurance for all employees. The agency has implemented this recommendation immediately following the auditor's exit conference.
18. **Concur.** RRC will ensure that will be allocated in accordance with Cost Allocation Plan. The agency has implemented this recommendation immediately following the auditor's exit conference.
19. **Concur.** RRC will implement the outstanding recommendations from FY 2006-2007 monitoring report 6/30/2008.



Sherai Onibasa, Executive Director